



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GRAYSON COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES**

**July 17, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**GRAYSON COUNTY**  
**SHERIFF'S SETTLEMENT - 2000 TAXES**

**July 17, 2001**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Grayson County Sheriff as of July 17, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected net taxes of \$4,485,746 for the districts for 2000 taxes. The Sheriff distributed taxes of \$4,296,190 to the districts for 2000 taxes. No taxes are due to the districts from the Sheriff and the Sheriff is due a refund of \$24 from the common school district.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Gary Logsdon, Grayson County Judge/Executive

Honorable Joe Brad Hudson, Grayson County Sheriff

Members of the Grayson County Fiscal Court

Independent Auditor's Report

We have audited the Grayson County Sheriff's Settlement - 2000 Taxes as of July 17, 2001. This tax settlement is the responsibility of the Grayson County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Grayson County Sheriff's taxes charged, credited, and paid as of July 17, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Gary Logsdon, Grayson County Judge/Executive  
Honorable Joe Brad Hudson, Grayson County Sheriff  
Members of the Grayson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 24, 2001



GRAYSON COUNTY  
JOE BRAD HUDSON, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

July 17, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 372,450	\$ 653,095	\$ 2,070,013	\$ 742,864
Tangible Personal Property	29,303	51,262	134,074	142,399
Intangible Personal Property				69,743
Fire Protection	5,513			
Franchise Corporation	39,882	70,150	194,483	
Supplemental Bills	157	263	872	2,825
Bank Franchises	54,463			
Penalties	3,561	6,246	19,593	8,016
Adjusted to Sheriff's Receipt	(96)	(114)	(543)	(182)
Gross Chargeable to Sheriff	\$ 505,233	\$ 780,902	\$ 2,418,492	\$ 965,665
<u>Credits</u>				
Exonerations	\$ 1,051	\$ 1,830	\$ 5,814	\$ 2,575
Discounts	7,133	10,412	32,636	14,069
Delinquents:				
Real Estate	9,028	15,797	50,141	18,605
Tangible Personal Property	469	821	2,258	2,414
Intangible Personal Property				490
Uncollected Franchise	1,191	2,081	5,731	
Total Credits	\$ 18,872	\$ 30,941	\$ 96,580	\$ 38,153
Net Tax Yield	\$ 486,361	\$ 749,961	\$ 2,321,912	\$ 927,512
Less: Commissions *	20,958	31,873	92,876	39,707
Net Taxes Due	\$ 465,403	\$ 718,088	\$ 2,229,036	\$ 887,805
Taxes Paid	465,002	717,416	2,226,809	886,963
Refunds (Current and Prior Year)	401	672	2,251	842
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	\$ 0	\$ 0	\$ (24)	\$ 0

\* Commissions:

10% on	\$	10,000
4.25% on	\$	2,153,834
4% on	\$	2,321,912

The accompanying notes are an integral part of the financial statement.

GRAYSON COUNTY  
NOTES TO FINANCIAL STATEMENT

July 17, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 17, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

GRAYSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
July 17, 2001  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 16, 2000 through April 27, 2001.

Note 4. Interest Income

The Grayson County Sheriff earned \$5,285 as interest income on 2000 taxes. As of October 24, 2001, the Sheriff owes \$1,165 in interest to the school district and is due a refund of \$114 in interest from his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Grayson County Sheriff collected \$28,758 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Grayson County Sheriff collected \$3,759 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising costs and fees will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

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Honorable Joe Brad Hudson, Grayson County Sheriff

Members of the Grayson County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Grayson County Sheriff's Settlement - 2000 Taxes as of July 17, 2001, and have issued our report thereon dated October 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Grayson County Sheriff's Settlement - 2000 Taxes as of July 17, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grayson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 24, 2001



